

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 EB-11 COME-00 SS-07 PER-05 BAL-03 RSR-01

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P 141332Z AUG 73

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 9414

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E. O. 11652: N/A

TAGS: AFSP, IS

SUBJECT: PROPOSED ISRAEL TRADE CENTER

REF: A. STATE A-5937 B. STATE 159042

1. SINCE RECEIPT REF A EMBASSY HAS BEEN CONSIDERING CAREFULLY A
BALANCED TRADE PROMOTION PROGRAM AIMED AT MAINTAINING GROWTH OF
US EXPORTS TO ISRAEL AND ALSO INCREASING US SHARE OF MARKET. WHILE
ISRAEL HAS ONLY 3 MILLION POPULATION, IT IS BIG IMPORTER AND
PRESENTS ATTRACTIVE TARGET FOR US SALES: (IN \$ MILLIONS)

	TOTAL IMPORTS	FROM US	US SHARE
1969	1,293	313	24.2
1970	1,417	326	23.0
1971	1,791	430	24
1972	1,911	367	19.2
JAN-APR1973	867	172	19.8

2. WE ARE BEING TOLD WIDELY THAT US GOODS ARE BEGINNING TO BECOME
MORE PRICE COMPETITIVE AS SUCCESSIVE DEVALUATIONS HELP OVERCOME PRE-
VIOUS HIGHER PRICES PLUS NATURAL DISADVANTAGES OF DISTANCE AND
DIFFERENTIAL SHIPPING COSTS. HIGH QUALITY US NAMES LIKE PHANTOMS,
SKYHAWKS, CATERPILLAR, GENERAL ELECTRIC, IBM, MACK TRUCKS ENJOY
EXCELLENT REPUTATION HERE AND ARE WELL REPRESENTED BY ALERT
AGGRESSIVE AGENTS. GOI IS WELL AWARE OF AND HAS EXPRESSED CONCERN
ABOUT DECLINING US SHARE OF MARKET WE FEEL SURE THIS FACTOR
PROBABLY TIPPED SCALES IN AUG 12 MAJOR DECISION TO AWARD BIG
ELECTRIC GENERATOR CONTRACT TO GE DESPITE LOWER BID FROM BRITISH
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COMPETITOR.

3. EMBASSY THEREFORE FEEL PROSPECTS FOR EXPANDING US EXPORTS ARE GOOD.

4. OUR DETAILED REPLY TO SUGGESTION IN REF A FOLLOWS BY SEPTEL. AS TO PROPOSED TRADE CENTER (REF B), EMBASSY SUBMITS FOLLOWING PROS AND CONS:

PRO-

A. US SHARE OF MARKET DECLINED IN 1972 AND EXTRAORDINARY MEASURES MAY BE CALLED FOR TO RESTORE US SHARE.

B. CENTRALIZED DISPLAY FACILITIES WOULD BE PARTICULARLY HELPFUL TO NEW-TO-MARKET US EXPORTERS.

C. SOME PRESENT AGENTS OF US FIRMS ARE PERHAPS NOT AS AGGRESSIVE AS THEY SHOULD BE AND THEREFORE NEED OUTSIDE STIMULUS AND HELP.

D. TRADE CENTER STAFF COULD PROVIDE NEEDED ASSISTANCE TO EVER-GROWING WORKLOAD IN COMMERCIAL SECTION.

E. TRADE CENTER WOULD FACILITATE COOPERATION WITH OTHER TRADE CENTERS ESPECIALLY IN EUROPE.

F. TRADE CENTER STAFF WOULD BE AN IMPORTANT NUCLEUS FOR STAFFING US EXHIBITS AT INTERNATIONAL TRADE FAIRS, A NUMBER OF WHICH ARE HELD IN ISRAEL EACH YEAR.

CON-

A UNCERTAINTY HERE THAT TRADE CENTER APPROACH WOULD BE MORE COST-EFFECTIVE THAN PRESENT METHODS--STIMULUS PROVIDED BY NEW COMMERCIAL ATTACHE WORKING TO PUSH MORE AGGRESSIVE AGENCIES, PARTICIPATION IN ISRAELI EXHIBITIONS, ETC., AS IN PAST.

B. INCREASING COMPETITIVENESS OF US PRICES LIKELY TO GENERATE GOOD SALES WITHOUT SUCH MAJOR INCREASE IN LOCAL EFFORT. (PERSONNEL PROPOSED WOULD ALMOST DOUBLE PRESENT STAFF OF ONE COMMERCIAL ATTACHE, ONE ROTATING JUNIOR FSO, TWO SENIOR LOCAL ASSISTANTS, FOUR LOCAL SECRETARIES).

C. IMMEDIATE REGION COULD NOT BE SERVED.

D. ARAB COUNTRIES MIGHT DRAW INVIDIOUS COMPARISONS IF CENTERS NOT ESTABLISHED THERE.

E. RENTS FOR DESIRABLE SPACE IN CITY CENTER WOULD BE EXTREMELY HIGH.

F. THERE WOULD BE MARKED STRAIN ON EMBASSY ADMINISTRATIVE AND SUPERVISORY FACILITIES FROM INCREASED PERSONNEL AND ACTIVITY.

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5. ON BALANCE, EMBASSY BELIEVES IT WOULD BE WELL TO PROCEED TO BUILD UP MORE EXPERIENCE WITH VARIOUS TECHNIQUES IN ISRAEL BEFORE MAKING DEFINITIVE RECOMMENDATION ON TRADE CENER. NEW COMMERCIAL ATTACHE IS ACTIVELY MAKING ROUNDS OF LEADERS OF INDUSTRY, BANKING AND ECONOMIC MINISTRIES. WHEN THAT PROCESS COMPLETED AND ADDITIONAL EXPERIENCE GAINED, WE WILL ALL BE IN BETTER POSITION TO MAKE FIRM RECOMMENDATIONS FOR FUTURE. BASED ON WHAT WE NOW

KNOW, WE ARE EXTREMELY RELUCTANT TO GIVE UNQUALIFIED APPROVAL TO TRADE CENTER PROPOSAL AS OUTLINED IN REFTEL. WE THINK, HOWEVER, EVEN AT THIS POINT, ADDITIONAL RESOURCES COULD EFFECTIVELY BE DEVOTED TO EXPANSION PRESENT ACTIVITIES HERE. AS A LOGICAL FIRST STEP, THEREFORE, ON A CONTINGENCY BASIS WE WOULD SUPPORT ONE ADDITIONAL AMERICAN OFFICER AND 2-3 LOCAL EMPLOYEES TO AUGMENT CURRENT STAFF AND PERHAPS TO FORM NUCLEUS FOR FUTURE SMALL TRADE CENTER.

6. IF, OVER COMING MONTHS, WE CAN ENGAGE IN MEANINGFUL EXCHANGE OF INFORMATION BETWEEN WASHINGTON AND EMBASSY AS TO APPLICABILITY OF SINGAPORE, TEHRAN AND OTHER POSTS' EXPERIENCE WITH TRADE CENTERS TO ISRAELI SITUATION, WE MIGHT THEN BE ABLE TO CONSIDER MOVING FORWARD TOWARD TRADE CENTER.

7. AS WE VIEW SITUATION, OUR SUGGESTED ALTERNATIVE PROCEDURE, BASED ON EXPERIENCE AND FEEDBACK, WOULD GIVE US A MORE OBJECTIVE BASIS FOR RECOMMENDING COMMITMENT SIGNIFICANT AMOUNTS OF SCARCE FUNDS. IT HAS ADDED ADVANTAGE OF GIVING NEW AMBASSADOR OPPORTUNITY TO EVALUATE RELATIVE ADVANTAGES OF VARIOUS APPROACHES TO INCREASED PROMOTION EFFORT HERE.

VELIOTES

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